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RUEHLO/AMEMBASSY LONDON PRIORITY 2031
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 4832
RUEHUL/AMEMBASSY SEOUL PRIORITY 8384
RUEHKO/AMEMBASSY TOKYO PRIORITY 5946
RUEHCN/AMCONSUL CHENGDU PRIORITY 1499
RUEHCHI/AMCONSUL CHIANG MAI PRIORITY 1666
RUEHGV/USMISSION GENEVA PRIORITY 3839
RUEHUNV/USMISSION UNVIE VIENNA PRIORITY 0087
RUCNDT/USMISSION USUN NEW YORK PRIORITY 1780
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUEAWJA/DEPT OF JUSTICE WASHDC PRIORITY
RUEABND/DEA HQS WASHINGTON DC PRIORITY
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UNCLAS SECTION 01 OF 07 RANGOON 000501

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SUBJECT: BURMA: 2007 COUNTERNARCOTICS REPORT CARD

REF: A. A) STATE 29120
 1B. B) 07 RANGOON 0555
 1C. C) 07 RANGOON 1109
 1D. D) 07 RANGOON 1130

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1. (U) This message responds to ref A request for a report on the Government of Burma's cooperation on counter-narcotics efforts, based on benchmarks established in the prior year, in preparation for the FY 2008 certification process.

2. (SBU) Begin Text of 2007 Certification Report Card:

1A. The USG requested that the GOB take demonstrable and verifiable actions against high-level drug traffickers and their organizations, such as investigating, arresting, and convicting leading drug producers and traffickers.

Embassy Rangoon Assessment: Limited cooperation.

The GOB has to date taken no direct action against the eight leaders of the notorious United Wa State Army (UWSA), indicted in January 2005 in a U.S. federal court, although authorities have taken action against other, lower-ranking members of the UWSA syndicate. Two members of UWSA Chairman Bao Yu Xiang's family were sentenced to death and remain in detention after their arrest and conviction in connection with the September 2005 GOB seizure of a UWSA-related shipment of approximately 496 kgs of heroin bound for China via Thailand.

The GOB has not succeeded in convincing the UWSA to stop its illicit drug production or trafficking, although Burmese anti-narcotic task forces maintained pressure against other drug producers and traffickers in 2007. The GOB continued to cooperate with DEA and the Australian Federal Police (AFP) to monitor and disrupt the flow of

illegal narcotics by the UWSA and associated international trafficking syndicates that have ties throughout Asia, the Pacific region, and North America.

During 2007, the following significant enforcement activity was noted:

During April 2007, the Tachilek CCDAC ANTF raided a house located in Taw Kaw Ah Twin Village, Hao Lek Village Track, Tachilek, Burma. A search led to the discovery of 10,000 methamphetamine tablets and the arrest of two defendants. Information from the defendants resulted in the search of a second location, the seizure of 264,000 methamphetamine tablets, and the arrest of two defendants.

--During April 2007, based upon information from DEA Rangoon and the AFP, CCDAC Muse ANTF officers raided four houses in the village of Pan Se, Nam Kham Township, Burma that were believed to be maintained by member of the Pan Se Militia, who are aligned with the Myanmar National Defense Alliance Army (MNDAA). The raid resulted in the seizure of 224.3 kilograms of opium, 300 grams of heroin, an undisclosed amount of opium seeds, 7.1 million kyat (\$7,100.00 USD), and 50,000 Chinese Yuan (\$6,250.00 USD) and the arrest of two defendants.

--During June 2007, based upon informant information and information provided by DEA Rangoon, the Taunggyi CCDAC ANTF, assisted by the Burmese Army, searched several houses located in Loi Hsaung Village, His Hsai Township. The search resulted in a total seizure of 189.2 kilograms of opium and the arrest of three defendants. Information from the defendants resulted in the discovery and destruction of

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a heroin refinery and the seizure of 80 kgs of Ammonium Chloride.

--During October 2007, the Lashio CCDAC ANTF seized 275 kilograms of ephedrine at a vehicle checkpoint near Thein Ni, Burma. It is suspected that this ephedrine was smuggled across the Indian border near Kalay/Tamu, transited Mandalay, and was en route to a methamphetamine laboratory in or near the Kokang region.

--During November 2007, the Taunggyi ANTF raided two large heroin refineries southeast of Taunggyi. The refineries were located in caves within the Pa-O National Organization (PNO) area of the Mae Nae Mountain Range at an altitude of over 6000 feet. The raids resulted in the seizure of approximately 470 kgs of morphine base, over 60 kgs of raw opium, and 70 kgs of ephedrine.

--During December 2007, the Tachilek CCDAC ANTF stopped and searched two suspects at a vehicle checkpoint on the outskirts of Tachilek, Burma. The search and subsequent follow-on investigation resulted in the seizure of 2690 tablets of Rabbit brand-logo Ecstasy, 1400 tablets of WY brand methamphetamine, and 2.5 kilograms of methamphetamine ICE. The Tachilek CCDAC ANTF arrested six defendants. According to CCDAC, the ecstasy was manufactured in China and smuggled into Burma through Pang Hsang, Special Region Number Two (UWSA).

In 2007, according to official statistics, the GOB arrested 3635 suspects on drug related charges. Burma continued its cooperation with law enforcement agencies in neighboring countries in 2007, in several cases leading to the interdiction of cross-border drug transfers and the extradition of traffickers to and from Burma.

1B. The USG asked the GOB to continue good efforts on opium poppy eradication and provide location data to the U.S. for verification purposes; increase seizures of opium, heroin, and methamphetamine and destroy production facilities; adopt meaningful procedures to control the diversion of

precursor chemicals.

Embassy Rangoon Assessment: Limited cooperation.

For the fourth consecutive year, the GOB failed to provide sufficient cooperation to support the U.S.-Burma joint opium yield survey, previously an annual exercise.

There was a last minute effort during January/ February 2008 to revive the US-Burma Opium Yield Survey by the GOB Central Committee for Drug Abuse Control (CCDAC). However, this effort was unsuccessful. UNODC continues to conduct an annual survey.

According to the UNODC opium yield survey, in 2007 the total land area under poppy cultivation in Burma was 27,700 hectares, a 29 percent increase from the previous year. The UNODC estimated that the potential production of opium increased by 46 percent, from 315 metric tons in 2006 to 460 metric tons in 2007. The largest areas under cultivation were located in the Southern Shan State, where 65 percent of cultivation in Burma occurred. UNODC determined that 25 percent of cultivation in Burma occurred in the Eastern Shan State. In the Northern Shan State, poppy cultivation was one percent of the total cultivation in Burma. In the Kayah State, which was first surveyed in 2006, UNODC noted that poppy cultivation is increasing. The same trend was observed in the Kachin State. According to UNODC, the Kachin State accounted for 5 percent of the

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total poppy cultivation in Burma. A UNODC survey of Special Region Number 2 (UWSA) revealed that there is no appreciable poppy cultivation. The same was found in the Special Region Number One (Kokang) and Special Region Number Four (ESSA).

The increase in potential opium production in the 2007 UNODC estimate reflects an increase in hectares under cultivation, improved agricultural methods, and an end to several years of drought. These factors resulted in favorable growing conditions in the major opium poppy growing areas.

GOB seizures of illicit drugs increased considerably in 2006 and early 2007, due to closer cooperation with neighboring countries and stepped-up law enforcement investigations. During CY 2007, the GOB seized approximately 1.6 million methamphetamine tablets, compared with 19 million methamphetamine tablets seized in calendar year (CY) 2006, equating to 1.9 metric tons.

During CY 2007, the GOB seized approximately 5.2 metric tons of methamphetamine powder, approximately 398 kgs of methamphetamine "ICE," 1.2 metric tons of opium, 10.9 metric tons of low quality opium, approximately 75 kgs of heroin, and 521 kgs of ephedrine.

Burma does not have a domestic chemical industry, but its porous borders and endemic corruption facilitate the diversion and trafficking of precursor chemicals, primarily from China and India, to drug labs in country. The GOB recognizes the threat, but has been unable to establish effective countermeasures to date. The GOB's Precursor Chemical Control Board has identified twenty-five chemical substances (including caffeine and thionyl chloride) and prohibited their import, sale, or use.

During CY 2007, the GOB seized approximately 3.6 metric tons of precursor chemical powder, 10736.14 liters of precursor chemicals, and approximately 102 kgs of caffeine.

1C. The USG urged the GOB to establish a mechanism for the reliable measurement of methamphetamine production and demonstrate progress in reducing production (e.g., destruction of labs) and increasing seizures, particularly

focusing increased illicit drug seizures from gangs on the border with China, India, and Thailand.

Embassy Rangoon Assessment: Limited cooperation.

Declining poppy cultivation has been matched by a sharp increase in the production and export of synthetic drugs.

Burma remains a primary source of amphetamine-type substances (ATS) produced in Asia. While the GOB has significantly increased the quantity of methamphetamines seized, trafficking efforts disrupted, and narcotics labs destroyed in 2007, international drug enforcement agencies see indications that ATS production levels continue to soar.

Traffickers continue to use clandestine labs inside Burma to make ATS, using chemical precursors smuggled from India and China, and to smuggle narcotics across the Thai and Chinese borders for distribution within Thailand and China, and for transshipment, primarily to other Asian countries and Australia.

The GOB does not have a mechanism for the measurement of ATS production.

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1D. The USG asked the GOB to continue cooperation with China and Thailand and expand cooperation to other neighboring countries, such as India, Laos, and Vietnam, to control the production and trafficking of illicit narcotics and the diversion of precursor chemicals.

Embassy Rangoon Assessment: Adequate cooperation.

The GOB maintains a regular dialogue on precursor chemicals with India, China, Thailand, and Laos. As a result, India and China have taken steps, including the creation of exclusion zones, to divert precursors away from Burma's border areas. The GOB has also cooperated with these countries on a variety of counter-drug law enforcement issues.

GOB cooperation with China and Thailand has been the most productive, yielding arrests, seizures, and extraditions. The law enforcement relationship with India has been less productive. Nonetheless, GOB counter-drug officials meet on a monthly basis with Indian counterparts at the field level at various border towns.

Burma and Thailand jointly operate border liaison offices. In 2007, Thailand added a drug enforcement liaison officer to its embassy staff in Rangoon. Burma and Laos, with the assistance of the UNODC, conduct joint anti-drug patrols on the Mekong River.

Burma became a member of the Asia/Pacific Group on Money Laundering in January 2006, and is a party to the 1988 UN Drug Convention. Over the past several years, the Government of Burma has expanded its counter-narcotics cooperation with other states. The GOB has bilateral drug control agreements with India, Bangladesh, Vietnam, Russia, Laos, the Philippines, China, Indonesia, and Thailand. These agreements include cooperation on drug-related money laundering issues.

1E. The USG requested that the GOB enforce existing money-laundering laws, including asset forfeiture provisions, and fully implement and enforce Burma's money-laundering legislation passed in June 2002.

Assessment: Adequate cooperation.

In October 2006, the Financial Action Task Force (FATF) removed Burma from the FATF list of Non-Cooperative

Countries and Territories (NCCT), but advised the Burmese Government to enhance regulation of the financial sector. The Government of Burma continues to submit progress reports to FATF on its anti-money laundering program. In October 2007, due to progress on anti-money laundering measures, FATF ended formal monitoring of Burma. FATF continues to monitor Burma on an informal basis.

The U.S. maintains the separate countermeasures issued by the Financial Crimes Enforcement Network of the Treasury Department, adopted in 2004 under Section 311 of the 2001 USA Patriot Act, which found the jurisdiction of Burma and two private Burmese banks, Myanmar Mayflower Bank and Asia Wealth Bank, to be "of primary money laundering concern," and requiring U.S. banks to take special measures with respect to all Burmese banks, with particular attention to Myanmar Mayflower and Asia Wealth Bank.

Burma is a party to the UN Convention against Transnational Organized Crime and ratified the UN Convention on Corruption in December 2005 and the UN International

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Convention for the Suppression of the Financing Terrorism in September 2006. The GOB now has in place a framework to allow mutual legal assistance and cooperation with overseas jurisdictions in the investigation and prosecution of serious crimes.

In 2005, the GOB instituted an on-site examination program for financial institutions and closed three major banking institutions (Asia Wealth Bank, Myanmar Mayflower Bank, and the Myanmar Universal Bank) for violations of banking regulations. The banks were allegedly involved in laundering money linked to the illicit narcotic trade. In August 2005, the GOB, with the assistance of DEA, seized assets of the Myanmar Universal Bank and arrested its Chairman, Tin Sein, and sentenced him to death for laundering UWSA drug proceeds. The total value of seized bank accounts, property, and personal assets exceeded \$25 million.

As a result of the promulgation in 2004 of the Mutual Assistance in Criminal Matters Law (MACML) and subsequent measures to address money laundering and terrorism financing, Burma gained membership in the Asia Pacific Group on Money Laundering in March 2006. In July 2005, Burma and Thailand signed an MOU on the exchange of information relating to money-laundering.

With the exception of the Myanmar Universal Bank case, the GOB has not made public the results of its investigations into private banks, nor made explicit connections between the banks and money laundering. In 2006-2007, the Burmese Government amended its "Control of Money Laundering Law" to expand the list of predicate offenses. In July 2007, the Central Control Board issued five directives to bring more non-bank financial institutions under the AML/CFT compliance regime. As of August 2007, 823 suspicious transaction reports had been received. One case related to trafficking in persons was filed for prosecution, resulting in convictions of 20 individuals under the "Control of Money Laundering Law" and the Trafficking in Persons Law. In the first eight months of 2007, seven cases had been identified as potential money laundering cases.

Since August 2005, there have been no significant prosecutions of banking or government officials in cases related to laundering of drug money, and administrative and judicial authorities lack resources to investigate and enforce the anti-money laundering regulations at all levels. The government continues to award contracts for construction and other major infrastructure projects to corporations established by or linked to suspected major drug traffickers.

¶F. The USG urged the GOB to prosecute drug-related corruption, especially corrupt government and military officials who facilitate drug trafficking and money laundering.

Embassy Rangoon Assessment: Inadequate cooperation.

Burma is tied with Somalia for the lowest rank of all countries in the 2007 Transparency International corruption index. Government officials, particularly those posted in border areas, are widely believed to be involved in facilitating the drug trade.

According to the GOB, between 1995 and 2003, officials prosecuted and punished over 200 police officials and 48 Burmese Army personnel for narcotics-related corruption or drug abuse. There is no evidence that the GOB took any

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similar actions over the past four years. The GOB has never prosecuted a Burmese Army officer over the rank of full colonel.

¶G. The USG asked the GOB to expand demand-reduction, prevention, and drug treatment programs to reduce drug use and control the spread of HIV/AIDS.

Embassy Rangoon Assessment: Limited cooperation

Although drug abuse levels remain low in Burma compared to neighboring countries, the addict population could be as high as 300,000 abusers, including a growing number of injecting drug users (IDU) and regular consumers of ATS. The World Health Organization estimates there are between 60,000 and 90,000 IDUs in Burma.

The HIV epidemic in Burma, one of the most serious in Asia, continues to expand rapidly. UNAIDS estimates that 34 percent of officially reported HIV cases are attributable to intravenous drug use, one of the highest rates in the world. HIV prevalence among injecting drug users was 46.2 percent in 2007.

The GOB's prevention and drug treatment programs suffer from inadequate resources and a lack of high-level government support. Demand reduction programs are in part coercive and in part voluntary. There are six major drug treatment centers under the Ministry of Health, 49 other smaller detox centers, and eight rehabilitation centers which, together, have provided treatment to about 70,000 addicts over the past decade. Burmese authorities have also collaborated with UNODC in expanding anti-drug campaigns as well as establishing treatment and rehabilitation programs. The GOB's Myanmar Anti-Narcotic Association, for example, has supported UNODC drop-in centers in Northern Shan State and Kachin State, which treated more than 8,000 addicts in 2006-2007. The GOB also conducted several outreach projects through the public school system.

In 2006, the Ministry of Health began to treat heroin addicts with Methadone Maintenance Therapy (MMT) in four drug treatment centers found in Rangoon, Mandalay, Lashio, and Myitkyina. The Ministry of Health also began dispensing methadone treatment in three additional sites, two in Kachin State and one in Rangoon Division. By August 2007, the Ministry of Health had treated more than 370 patients using MMT. Several international NGOs have effective demand reduction programs, including Care International, World Concern, and Population Services International (PSI).

Although the GOB, working with partners, has maintained the above-mentioned programs, Burma has failed to expand demand-reduction, prevention, and drug treatment programs to reduce drug use and control the spread of HIV/AIDS. The

Global Fund, which had a budget of \$98.5 million to fight HIV/AIDS, TB, and Malaria in Burma, withdrew in 2005. In 2006, foreign donors established the Three Diseases Fund (3DF) to provide humanitarian assistance for HIV/AIDS, TB, and Malaria. The 3DF, with its budget of \$100 million over five years, supports the work of local and international NGOs, the United Nations, and the Ministry of Health. In 2007, the 3DF supported HIV/AIDS programs such as HIV surveillance and training on blood safety. The 3DF also provided funds for anti-retroviral therapy and the MMT program.

End Text of 2007 Certification Report Card.

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